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Annual Report

1948 • 1949



**RED
OWL**



27th Annual Report

RED OWL STORES, INC.

GENERAL OFFICES  HOPKINS, MINN.

BOARD OF DIRECTORS

| | |
|---------------------|--------------------|
| FORD BELL | Wayzata, Minn. |
| ALF. L. BERGERUD | Minneapolis, Minn. |
| J. Y. DEAR | Hopkins, Minn. |
| GLENN R. GRIFE | Minneapolis, Minn. |
| J. F. RINGLAND | Minneapolis, Minn. |
| HENRY C. STEPHENSON | Minneapolis, Minn. |
| H. J. WORRELL | Minneapolis, Minn. |
| J. C. CORNELIUS | Minneapolis, Minn. |

OFFICERS

| | |
|---------------------|----------------------------|
| FORD BELL | President |
| GLENN R. GRIFE | Executive Vice President |
| ALF. L. BERGERUD | Vice President |
| J. Y. DEAR | Vice President |
| W. C. METZGER | Vice President |
| H. J. WORRELL | Vice President |
| HENRY C. STEPHENSON | Treasurer and Asst. Secy. |
| L. A. LUDEKING | Secretary and Asst. Treas. |
| RICHARD H. WHITE | Assistant Secretary |
| F. D. SCOTT | Comptroller |

EXECUTIVE OFFICES: 215 E. Excelsior Ave., Hopkins, Minn. • MAILING ADDRESS: Post Office Box 1128, Minneapolis, Minn.
 STOCK TRANSFER AGENT: Northwestern National Bank of Minneapolis • AUDITORS: Peat, Marwick, Mitchell & Co.

NEW FARGO SUPERMARKET features modernistic design shown here and on cover.



THE YEAR'S WORK

We received from the sale of goods and services \$68,655,480

We paid for merchandise, transportation, handling costs, rents, repairs, maintenance and general operating expenses—other than payrolls \$60,241,129

We paid to our employees in wages and salaries, and for other employee benefits including social security, retirement income and group insurance \$ 6,808,812

We set aside for depreciation of buildings and equipment \$ 363,442

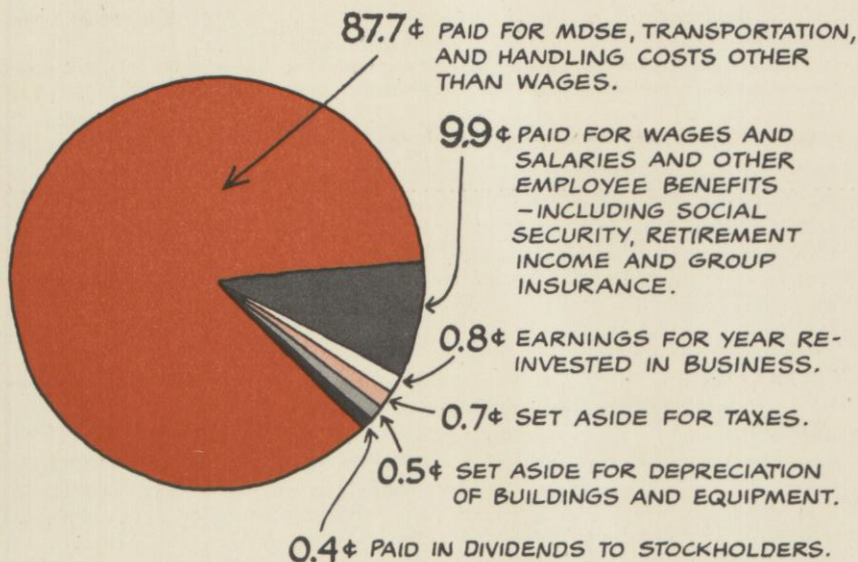
We set aside for federal and state income taxes \$ 469,000

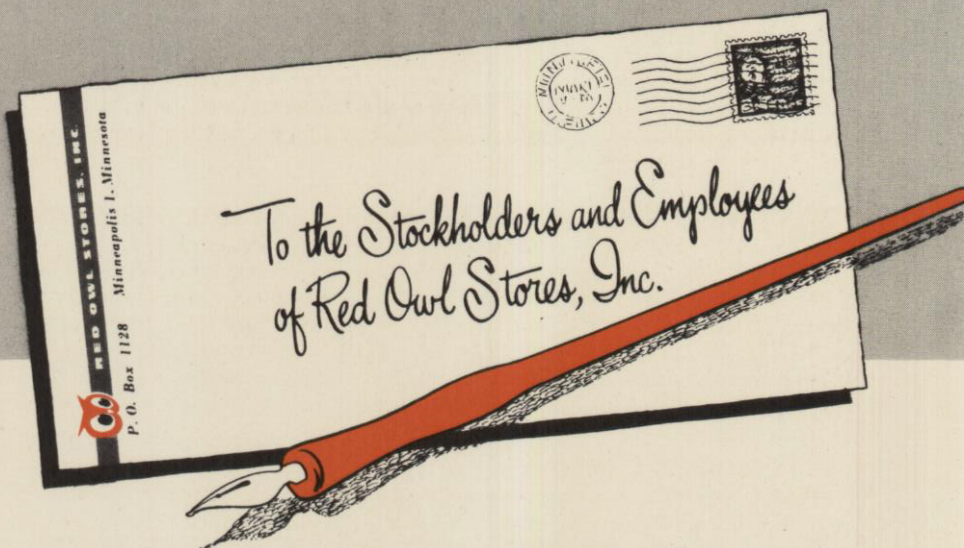
This left us as earnings \$ 773,097

Out of these earnings, we paid to our stockholders as dividends \$ 266,560

And we re-invested in the business \$ 506,537

HOW THE SALES DOLLAR WAS DIVIDED





PRESIDENT'S REPORT

The twenty-seventh year of Red Owl Stores was a good year.

Our sales reached new highs. Our building program was pushed vigorously ahead. The Organization was strengthened throughout. Bank loans and long-term debt were reduced. Earnings were the highest in the history of the Company. Inventories were brought to the lowest possible level consistent with sound merchandising practices. The regular dividend of \$4.75 per share was paid on preferred stock, and 50 cents per share on common stock. This was the 15th consecutive year in which dividends have been paid.

That, in brief, is the story of your Company's twenty-seventh year. A more detailed presentation of the year's work follows.

★ **SALES.** For the year ending February 28, 1949, sales totaled \$68,655,480—an increase of \$8,373,594, or 13.9% over the previous year. Retail sales of \$51,806,921 increased 9.92% over the previous year, while sales at wholesale of \$16,848,559 increased 28.1% over the previous year. This relatively large increase in sales at wholesale was forecast in our annual report last year when we pointed out that the new Hopkins warehouse would make possible the servicing of a larger number of agency stores—increased from 397 to 476 during the year.

★ **EARNINGS.** Consolidated earnings for the year were \$773,097, compared to \$711,384 for the previous year. Earnings were \$1.80 per share of outstanding common stock after preferred stock requirements were met, compared to \$1.64 for the previous year. However, earnings would have been about the same as the previous year had it not been for gains on the sale of certain capital assets. Earnings accounted for 1.13 cents of each sales

dollar for the year, compared to 1.18 cents the previous year. As in past years, this reflects the Company's policy of absorbing some of the increased costs of doing business in an effort to hold down food costs for families in the Company's territory.

★ **DIVIDENDS.** Dividend payments for the year totaled \$266,560, of which \$71,250—\$4.75 per share—was paid on preferred stock, and \$195,310—50 cents per share—on common stock. While preferred stock dividends were the same as the previous year, dividends paid on common stock were reduced. This reduction in common stock dividends was considered necessary in order to make it possible to reduce bank debt, to capitalize fully on the new facilities, and to maintain working capital to meet the demands for aggressive merchandising in the competitive period ahead.

★ **INVENTORIES.** In last year's report, we stated that it was our intention to maintain inventories at the lowest possible level consistent with sound merchandising practices. As a result of this policy, inventories during the past year have been reduced by \$375,199—from \$4,703,232 to \$4,328,033—a decrease of 8% despite an increase of 14% in sales during the same period. This was accomplished by the improved methods of inventory control and more efficient distribution of merchandise made possible by the new Hopkins and Fargo warehouses.

★ **OTHER FINANCIAL INFORMATION.** During the year, current borrowings from banks were reduced by \$700,000—from \$1,600,000 to \$900,000—and long-term debt was reduced by \$100,000. Capital requirements for operating the business during the coming year will not be as pressing as a year ago but will limit to some extent much needed renovation of stores. However, such renovation of stores, investment in modern equipment for both new and existing stores, transportation equipment, etc., will continue, but it is expected that these will be met with funds released by

RETAIL SALES AND NUMBER OF STORES IN OPERATION

Fiscal years ended February 28, 1941 through February 28, 1949

| YEAR ENDED | STORES IN OPERATION DURING YEAR | TOTAL RETAIL SALES | AVERAGE ANNUAL SALES PER LOCATION |
|--|---------------------------------------|--------------------------|---|
| March 3, 1941..... | 175 | \$12,743,398 | \$ 72,819 |
| March 2, 1942..... | 172 | 14,016,229 | 81,490 |
| March 1, 1943..... | 171 | 15,791,426 | 92,347 |
| February 28, 1944..... | 170 | 17,416,293 | 102,448 |
| February 26, 1945 ⁽¹⁾ | 211 | 23,382,158 | 110,816 |
| March 4, 1946..... | 223 | 27,195,347 | 121,952 |
| March 3, 1947 ⁽²⁾ | 224 | 35,130,590 | 156,833 |
| March 1, 1948..... | 229 | 46,390,660 | 202,579 |
| February 28, 1949..... | 220 | 50,732,109 | 230,600 |

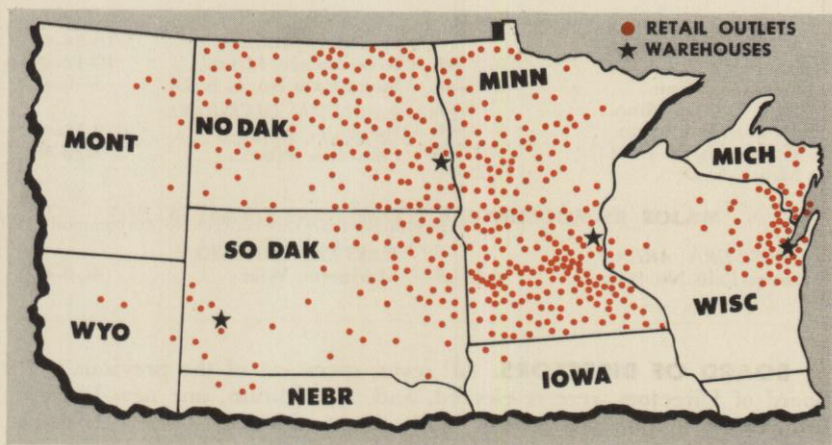
(1) 57 CASHWAY STORES, GREEN BAY, PURCHASED 5/27/45

(2) 12 ECONOMY CENTER, SIOUX FALLS, PURCHASED 1/11/47

depreciation and amortization of present buildings and equipment, and out of earnings. In short, we do not feel that additional borrowed capital will be required to meet modernization needs for some time to come.

★ **FACILITIES.** The continuing program of building and expansion which was interrupted by the war reached its highest level during the year. The entire building at Hopkins—warehouse, offices, super-market, garage, bakery, coffee-roasting plant, cabinet shop, and restaurant—is now in operation. Our Fargo warehouse went into operation in November, 1948. This warehouse will permit us to increase our business in the Northern Division just as the Hopkins warehouse has done in the Southern Division. We feel that the Company is now in a position to service its territory in a more efficient and economical way than before. It is our intention to complete our warehousing program at some time in the future at Green Bay, Wisconsin, to broaden the operation of our Eastern Division.

★ **MERCHANDISING.** During the year, we have continued our aggressive merchandising program which is responsible in large part for our increase in sales. We have streamlined our corporate retail operations by eliminating the smaller, less profitable stores in favor of the larger, more modern, super-market type of stores. We have built new stores, and remodeled existing stores. Typical examples are in Fargo, where we have opened a modern super-market on the north side and remodeled our older store on the south side of town. Total number of corporate retail stores was reduced from 228 to 199. Many of these became agency stores. At the same time, as noted earlier in this report, our larger warehouse facilities have enabled us to increase our services to agency stores and to increase the number of these stores from 397 to 476. We have maintained a sound, consistent, hard-hitting advertising program. Greater identification of the Company has been accomplished by widespread use of the new Red Owl insignia on warehouses, stores, trucks, merchandise containers, and in Company advertising. We have reduced the total number of items carried in stock in order to concentrate on the high-turnover items. Our private labels, most



important of which are Red Owl and Harvest Queen, have been maintained. We are constantly improving the utilization of floor space. And we hope to develop our merchandising program even more fully during the coming year.

NEW SUPER MARKETS OPENINGS

For 1949-1950

| LOCATION | DATE | LOCATION | DATE |
|------------------------|----------|--------------------------|----------|
| WESTERN AREA: | | Wadena, Minn..... | 9- 1-49 |
| Fargo No. 6, N. D..... | 4- 5-49 | Linton, N. D..... | 11-15-49 |
| Bemidji, Minn..... | 3-17-49 | Custer, S. D..... | 8- 4-49 |
| Jamestown, N. D..... | 9- 1-49 | Benson, Minn..... | 10- 1-49 |
| Minot, N. D..... | 11-15-49 | EASTERN DIVISION: | |
| Lisbon, N. D..... | 9- 1-49 | Gillett, Wisc..... | 3-15-49 |

STORE RENOVATIONS

| LOCATION | DATE | LOCATION | DATE |
|-------------------------|---------|-------------------|---------|
| WESTERN AREA: | | Little Falls..... | 4-14-49 |
| Slayton..... | 3- 7-49 | Brainerd..... | 4-14-49 |
| Redwood Falls..... | 3-12-49 | Alexandria..... | 4-28-49 |
| New Ulm..... | 3-12-49 | Winona..... | 5-12-49 |
| Excelsior..... | 3-16-49 | Rochester..... | 5-19-49 |
| Wells..... | 3-24-49 | Spirit Lake..... | 5-13-49 |
| Marshall..... | 3-30-49 | Milbank..... | 5-26-49 |
| Sioux Falls No. 15..... | 4- 7-49 | Canby..... | 6- 2-49 |
| Austin..... | 4-13-49 | Casselton..... | 6- 2-49 |
| Moorhead..... | 3-30-49 | Hopkins..... | 4-10-49 |
| Fergus Falls..... | 4-14-49 | | |

MAJOR REMODELINGS

WESTERN AREA:

Fargo No. 5, N. D..... 5- 4-49

NEW SUPER MARKETS OPENED ★ 12 months ended February 28, 1949

| LOCATION | DATE | LOCATION | DATE |
|------------------------|---------|------------------------------|----------|
| WESTERN AREA: | | St. Peter, Minn..... | 10-14-48 |
| Aberdeen No. 4..... | 4-27-48 | Robbinsdale, Minn..... | 10-12-48 |
| Hopkins, Minn..... | 5- 3-48 | Sioux Falls No. 6, S. D..... | 5- 6-48 |
| Sauk Centre, Minn..... | 7- 8-48 | EASTERN DIVISION: | |
| Montevideo, Minn..... | 9-16-48 | Escanaba, Mich..... | 9-15-48 |
| Wahpeton, N. D..... | 9-22-48 | Shawano, Wisc..... | 9-28-48 |
| Miller, S. D..... | 9-29-48 | | |

MAJOR RE-MODELINGS ★ 12 months ended February 28, 1949

WESTERN AREA:

Sioux Falls No. 9, S. D..... 4-12-48

EASTERN DIVISION:

Marinette, Wisc..... 4- 8-48

★ **BOARD OF DIRECTORS.** All seven members of the previous year's Board of Directors were re-elected, and, in addition, one new Director, John C. Cornelius, Executive Vice-President of Batten, Barton, Durstine, and Osborn, Inc., advertising agency, was elected. The election of Mr.

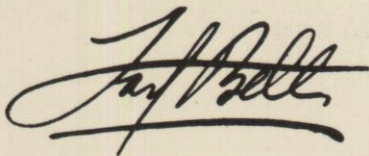
Cornelius, following the election a few years ago of Joseph F. Ringland, President of the Northwestern National Bank of Minneapolis, is in line with the Management's feeling that it is to the advantage of the Corporation to include on the Board persons of experience and judgment of other fields. (In addition, Richard L. Kozelka, Dean of the School of Business Administration of the University of Minnesota, was elected a Director at the adjourned annual meeting June 22, 1949.)

SALES TO AGENCY STORES AND NUMBER OF AGENCIES SERVED

| YEAR ENDED | TOTAL SALES TO AGENCIES | NUMBER OF AGENCIES SERVED |
|-------------------------|-------------------------------|---------------------------------|
| March 3, 1941 | \$1,717,640 | 233 |
| March 2, 1942 | 2,642,471 | 262 |
| March 1, 1943 | 3,807,952 | 242 |
| February 28, 1944 | 4,281,165 | 238 |
| February 26, 1945 | 5,051,800 | 272 |
| March 4, 1946 | 5,943,875 | 328 |
| March 3, 1947 | 8,757,460 | 377 |
| March 1, 1948 | 10,128,841 | 397 |
| February 28, 1949 | 13,823,601 | 476 |

★ **PEOPLE.** No report of the past year's work would be complete without our paying a sincere tribute to the men and women of Red Owl. The cold facts and figures of our business are only the results of the work, imagination, and loyalty of our people. To our stockholders we are grateful for interest and confidence in providing the tools with which we operate. Last year, 2,850 full-time and 500 part-time people of Red Owl shared \$6,570,356, the largest payroll in Company history. 1,507 employees and their families participated during the year in our Group Insurance & Hospitalization Plan, and 212 received benefit payments therefrom. \$113,000 was set aside for the Retirement Program, in line with Company policy of providing the utmost security commensurate with good operating procedure. The Company faced along with others in the grocery business the continuing high turnover of personnel. Progress is being made to reduce this by better selection and training programs.

★ **THE FUTURE.** It is apparent that we have passed the peak of the postwar boom. Thus far, the decline has been on a gradual scale, particularly in the grocery business. It is our hope that this will result in a leveling off which will be mutually beneficial to buyers and sellers alike. In the meantime, we will continue to try to provide quality merchandise, courteous service, and fair prices which will hold all our present friends and also win us new friends and customers during the coming years.



PRESIDENT

CONSOLIDATED RESULTS OF OPERATIONS AND EARNED SURPLUS

(Earnings reinvested in business)

RED OWL STORES, INC., and Subsidiary Companies

For the years ended February 28, 1949 and March 1, 1948

| | YEAR ENDED | |
|--|---------------|---------------|
| | FEB. 28, 1949 | MARCH 1, 1948 |
| Net retail sales..... | \$51,806,921 | 47,129,402 |
| Net wholesale sales..... | 16,848,559 | 13,152,484 |
| Other income, including gain on sale of capital assets of \$119,054 and \$28,711 in the respective periods..... | 168,854 | 83,467 |
| Total Gross Revenue..... | 68,824,334 | 60,365,353 |
| Costs: | | |
| Cost of goods sold, including warehousing expenses (note 6)..... | 57,828,503 | 50,512,975 |
| Selling, general and administrative and other operating expenses (notes 6 and 7)..... | 9,679,499 | 8,660,762 |
| Interest: | | |
| On long-term debt..... | 45,000 | 48,000 |
| Other..... | 29,235 | 20,512 |
| Provision for income taxes: | | |
| Federal..... | 438,880 | 382,450 |
| State..... | 30,120 | 29,270 |
| Total Costs..... | 68,051,237 | 59,653,969 |
| Earnings for Year..... | 773,097 | 711,384 |
| Deduct dividends on Red Owl Stores, Inc. capital stock: | | |
| 4¾% cumulative preferred stock, Series A..... | 71,250 | 71,250 |
| Common stock (\$.50 and \$.80 per share in respective periods)..... | 195,310 | 312,496 |
| | 266,560 | 383,746 |
| Earnings for year reinvested in business..... | 506,537 | 327,638 |
| Earned surplus (earnings reinvested in business) at beginning of year..... | 1,980,886 | 1,653,248 |
| Reserves for Contingencies (\$100,000) and Insurance (\$115,466) and excess portion (\$40,168) of Reserve for doubtful accounts transferred to Earned Surplus... | 255,634 | — |
| Earned surplus (earnings reinvested in business) at end of year (note 5)..... | \$ 2,743,057 | 1,980,886 |

See accompanying notes to financial statements.

CONSOLIDATED FINANCIAL POSITION ★

February 28, 1949

ASSETS

| | FEB. 28, 1949 | MARCH 1, 1948 |
|---|---------------------|-------------------|
| CURRENT ASSETS: | | |
| Cash in banks and on hand..... | \$ 999,350 | 649,164 |
| United States Government securities, at cost... | 9,037 | 9,037 |
| Accounts receivable: | | |
| Customers..... | 729,293 | 584,674 |
| Due from vendors, claims, etc..... | 325,370 | 329,366 |
| | 1,054,663 | 914,040 |
| Less reserve for doubtful accounts..... | 95,210 | 138,318 |
| | 959,453 | 775,722 |
| Advances for warehouse building construction (note 2)..... | — | 799,449 |
| Advances for merchandise purchases..... | 97,258 | 109,399 |
| Merchandise inventories at cost, less reserve, \$285,000 (note 3)..... | 4,328,033 | 4,703,232 |
| Prepaid expenses, including at the respective dates, prepaid insurance, \$72,317 and \$33,945, and supplies, \$28,818 and \$37,580..... | 152,509 | 111,701 |
| Total current assets..... | 6,545,640 | 7,157,704 |
| CASH SURRENDER VALUE OF LIFE INSURANCE... | 20,673 | 17,003 |
| PROPERTY, PLANT AND EQUIPMENT (at cost, less depreciation): | | |
| Land..... | 173,136 | 227,860 |
| Buildings, including at the respective dates build- ings on leased land, \$58,097 and \$60,885.... | 284,381 | 331,817 |
| Furniture, fixtures and equipment..... | 2,866,355 | 2,545,031 |
| Automotive equipment..... | 791,107 | 758,685 |
| Construction in progress..... | — | 41,511 |
| | 4,114,979 | 3,904,904 |
| Less reserve for depreciation..... | 1,562,668 | 1,368,980 |
| | 2,552,311 | 2,535,924 |
| Leasehold improvements, at cost, less amortiza- tion..... | 1,146,716 | 594,436 |
| | 3,699,027 | 3,130,360 |
| OTHER ASSETS..... | 65,448 | 26,633 |
| | <u>\$10,330,788</u> | <u>10,331,700</u> |

See accompanying notes

RED OWL STORES, INC., AND SUBSIDIARY COMPANIES

and March 1, 1948

LIABILITIES

CURRENT LIABILITIES:

Notes payable to banks:

| | <u>FEB. 28, 1949</u> | <u>MARCH 1, 1948</u> |
|--|----------------------|----------------------|
| Current instalments on long-term debt..... | \$ 100,000 | 100,000 |
| Demand notes..... | 900,000 | 1,600,000 |
| | <u>1,000,000</u> | <u>1,700,000</u> |

| | | |
|---|------------------|------------------|
| Drafts payable..... | 65,826 | — |
| Accounts payable..... | 1,698,977 | 1,630,014 |
| Dividend payable on preferred stock..... | 17,812 | 17,812 |
| Accrued expenses..... | 299,795 | 249,798 |
| Provision for Federal and State income taxes... | 499,112 | 431,516 |
| Total current liabilities..... | <u>3,581,522</u> | <u>4,029,140</u> |

LONG-TERM DEBT (Note 5):

| | | |
|--|------------------|------------------|
| 3% notes payable to banks— instalment of \$100,000 due November 1, 1949..... | — | 100,000 |
| 4% notes payable—maturing in annual instalments of \$100,000 each commencing November 1, 1950..... | 1,000,000 | 1,000,000 |
| | <u>1,000,000</u> | <u>1,100,000</u> |

RESERVES:

| | | |
|--------------------|----------|----------------|
| Contingencies..... | — | 100,000 |
| Insurance..... | — | 115,465 |
| | <u>—</u> | <u>215,465</u> |

CAPITAL STOCK (Notes 4 and 5):

| | | |
|---|------------------|------------------|
| Preferred stock—par value \$100 per share: | | |
| Authorized 25,000 shares, issued and outstanding 15,000 shares 4 $\frac{3}{4}$ % cumulative, Series A.. | 1,500,000 | 1,500,000 |
| Common stock: | | |
| Par value \$3.00 per share: | | |
| Authorized 750,000 shares, issued and outstanding 390,620 shares..... | 1,171,860 | 1,171,860 |
| | <u>2,671,860</u> | <u>2,671,860</u> |

SURPLUS:

| | | |
|--|---------------------|-------------------|
| Capital (arising from amounts paid in by stockholders)..... | 334,349 | 334,349 |
| Earned (earnings reinvested in business), per accompanying statement (note 5)..... | 2,743,057 | 1,980,886 |
| | <u>3,077,406</u> | <u>2,315,235</u> |
| | <u>\$10,330,788</u> | <u>10,331,700</u> |

to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RED OWL STORES, INC., and Subsidiary Companies

1. Certain figures for the year ended March 1, 1948, presented for comparative purposes, have been reclassified to conform with the classification adopted for the year ended February 28, 1949.

2. Advances amounting to \$799,449 at March 1, 1948, for construction of the Hopkins warehouse building were recovered in accordance with contractual arrangements which provided for sale of the building and long-term lease from the buyer. Expenditures aggregating approximately \$450,000 in the current year and \$500,000 in the previous year, in excess of amounts so reimbursed and included in leasehold improvements are being amortized over the period of the lease which expires August 31, 1977.

3. Warehouse inventories generally (except merchandise at Hopkins warehouse) and certain minor departments in the retail stores are based on physical inventories; inventories at retail stores, and the Hopkins merchandise inventory are based on book inventories which in the case of the retail stores are adjusted to agree with physical inventories taken from time to time during the year and in the case of the Hopkins warehouse to continuous inventories taken during the closing months of the year.

The inventories are stated at cost (first-in, first-out basis) determined in the case of the retail stores by the application of mark-up percentages to retail book inventories.

4. The 4¾% cumulative preferred stock, Series A, is redeemable on call and on voluntary liquidation at \$107 per share to January 1, 1952, \$106 per share from that date to January 1, 1957, and \$105 per share thereafter, plus dividends accrued or in arrears to the redemption date. Shares of such preferred stock (taken at \$100 per share) are convertible into common stock at the following prices:

\$12.50 per share to December 31, 1949.

\$14.50 per share from January 1, 1950, to December 31, 1952.

\$16.00 per share from January 1, 1953, to December 31, 1954.

\$18.00 per share from January 1, 1955, to December 31, 1956 (at which date conversion privileges expire).

In connection with the foregoing, 120,000

shares of authorized and unissued common stock are reserved for issuance upon conversion of preferred stock. The conversion prices are subject to adjustment in certain instances specified in the "Certificate of the Designations, Preferences and Relative, Participating, Optional or Other Special Rights of the 4¾% Cumulative Preferred Stock, Series A, of Red Owl Stores, Inc.," which also sets forth certain restrictions on the issuance of additional shares of preferred stock, increase of funded debt and sale of property.

5. Certain restrictions are placed upon payment of dividends (except stock dividends) and purchase, redemption or retirement of capital stock under the terms of the agreement relating to the 4% serial notes dated November 1, 1944; the amount available for such distribution at February 28, 1949, was \$1,164,188. In view of the foregoing, like restrictions under the preferred stock requirements of the certificate of incorporation as amended, and Board of Directors' resolution authorized thereunder, are not applicable.

The note agreement also provides that the long-term debt may be prepaid at the option of the Company at varying premiums and among other conditions, sets forth certain working capital requirements, which were maintained at February 28, 1949.

6. Charges for depreciation and amortization included in cost of goods sold and operating expenses for the years ended February 28, 1949, and March 1, 1948, amounted to \$456,638 and \$350,219, respectively, and rent expense so included amounted to \$626,925 and \$539,364 for the respective periods. Depreciation rates on certain types of furniture, fixtures, and equipment were revised during the year on the basis of a study of estimated useful lives of equipment in use which was undertaken by the company with a view to improving its accounting control for fixed assets under current operating conditions. The foregoing changes had no material effect on operating results for the year.

7. Selling, general and administrative and other operating expenses for the years ended February 28, 1949, and March 1, 1948, include provision for profit-sharing for employees, including officers (under plan approved by stockholders June 24, 1947), amounting to \$47,500* and \$28,000* for the respective periods.

*OFFICERS OF RED OWL STORES, INC. DID NOT PARTICIPATE IN PROFIT-SHARING IN EITHER YEAR.

PEAT, MARWICK, MITCHELL & Co.

NEW YORK
ATLANTA
BALTIMORE
BOSTON
CHARLOTTE
CHICAGO
CLEVELAND
DALLAS
DENVER
DETROIT
GREENSBORO
HOUSTON
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MEMPHIS
MILWAUKEE
MINNEAPOLIS
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ST. LOUIS
SALT LAKE CITY
SAN FRANCISCO
SEATTLE
TULSA
WASHINGTON
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CENTRAL AMERICA
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MEXICO
SOUTH AMERICA

NORTHWESTERN BANK BUILDING
MINNEAPOLIS 2, MINN.

June 23, 1949.

Accountants' Report

To the Board of Directors,
Red Owl Stores, Inc.,
Hopkins, Minnesota.

We have examined the statement of consolidated financial position of Red Owl Stores, Inc. and subsidiaries as of February 28, 1949 and the related statement of operations and surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of financial position and related statement of operations and surplus present fairly the financial position of Red Owl Stores, Inc. and subsidiaries at February 28, 1949 and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

Peat, Marwick, Mitchell & Co.



GRAND OPENING of the new supermarket at Robbinsdale, Minn., attracted crowds that bulged out into the street.



HARVEST QUEEN bread flows from the completely mechanized bakery housed within the new Fargo, N. D., warehouse.



COMPLETELY MODERNIZED was this supermarket at Sioux Falls, S. D., which was re-opened May 6, 1948, with a huge crowd attending.

**RED OWL
PROGRESS
IN
PICTURES**





NEAT AND ORDERLY rows of quality merchandise greeted the customers in the new Red Owl supermarket at Green Bay, Wisc.



THOUSANDS OF CARTONS of food are moved and stacked in the new Fargo warehouse.



TYPICAL of the modern new supermarkets Red Owl is building is this new store in Aberdeen, S. D., opened April 27, 1948.



THIS FLEET of giant trucks and trailers operates out of the new Fargo warehouse and moves merchandise to the Northern Division stores.



*For further information about the activities
and policies of Red Owl Stores, please feel
free to write to . . .*

RED OWL STORES, INC.

Hopkins, Minnesota